



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 29, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Pacific Commerce Bank, National Association  
Charter Number 24318**

**420 East Third Street, Suite 100  
Los Angeles, CA 90013**

**Comptroller of the Currency  
Southern California North Field Office  
550 North Brand Boulevard, Suite 500  
Glendale, CA 91203**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated “Satisfactory”.**

Pacific Commerce Bank has a satisfactory record of meeting the credit needs within its community. The following supports this rating:

- The overall loan-to-deposit ratio is reasonable.
- A majority of the loans were originated or purchased within the bank’s assessment area.
- Lending to consumers and businesses of different incomes and revenues is satisfactory.
- The geographic distribution of both consumer and business loans reflects good dispersion throughout the assessment area.

## **DESCRIPTION OF INSTITUTION**

Pacific Commerce Bank, N.A. (“PCB” or “the bank”) is a de novo financial institution located in downtown Los Angeles, California. The bank began operations in October of 2002. It is a traditional community bank serving the financial needs of businesses and consumers. Business loan products include commercial loans, commercial real estate loans, working capital lines of credit, and equipment loans. Consumer loans offered include residential mortgages, home equity loans and lines of credit, auto loans, personal loans, and lines of credit to high net worth individuals.

As of June 30, 2005, PCB had \$58.8 million in assets, \$35.8 million in total loans, \$50.7 million in total deposits, and \$7.8 million in equity capital. PCB operates out of one branch in downtown Los Angeles.

The greater Los Angeles area is highly competitive for commercial loans. PCB faces intense competition from established state and national chartered local, regional, and multi-national banks, savings associations, credit unions, and other established finance companies. The first three years of operations have been a challenge. To achieve its strategic growth plans, PCB purchased consumer mortgage loans from the secondary market. As of June 30, 2005, the composition of the bank’s loan portfolio consisted on 56 percent consumer mortgage loans.

Table 1 provides details regarding the composition of the loan portfolio as of June 30, 2005.

<b>Table 1 – Bank’s Loan Portfolio Composition</b>		
<b>Loan Type</b>	<b>Outstanding (000’s)</b>	<b>Percent (%) of Total Loans</b>
<b>Commercial Real Estate *</b>	<b>\$5,440</b>	<b>15%</b>
<b>Commercial</b>	\$2,370	7%
<b>Commercial Term *</b>	\$1,625	4%
<b>Construction</b>	\$750	2%
<b>Residential Mortgage</b>	<b>\$20,026</b>	<b>56%</b>
<b>Home Equity Line of Credit</b>	\$4,551	13%
<b>Other Consumer</b>	\$1,023	3%
<b>TOTAL</b>	<b>\$35,785</b>	<b>100%</b>

*Source: Bank Loan Trial Balance*

\* Commercial real estate loans are for general commercial business purposes where real estate is taken as collateral. Commercial term loans finance the purchase or refinance of real estate.

The bank has no legal, financial, or other factors that would affect its ability to meet the credit needs in its assessment area. This is the bank’s first Performance Evaluation by the Office of the Comptroller of the Currency (OCC) to assess PCB’s record of complying with the Community Reinvestment Act.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank’s assessment area (“AA”) covers portions of the greater Los Angeles-Long Beach Metropolitan Statistical Area (MSA). The AA contains 896 contiguous census tracts of the total 2,054 census tracts within the MSA. The AA includes communities in the San Fernando Valley, San Gabriel Valley, and South, West and East Los Angeles areas. The boundaries of the AA are the 210 freeway in the north, the 405 freeway in the west San Fernando Valley, the Pacific Ocean in the West Los Angeles area, the 105 freeway in the south, and the 19 California state highway in the east. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Table 2 gives details regarding the number and percentage of census tracts by income level, and the number and percentage of families within those tracts.

<b>Table 2 - Assessment Area Characteristics</b>				
<b>Census Tract Income Level</b>	<b>Number of Census Tracts</b>	<b>% of Census Tracts</b>	<b>Number of Families</b>	<b>% of Families</b>
<b>Low</b>	127	14%	266,105	30%
<b>Moderate</b>	369	41%	161,702	19%
<b>Middle</b>	191	21%	148,063	17%
<b>Upper</b>	209	24%	301,038	34%
<b>TOTAL</b>	896	100%	876,908	100%

Source: Bank's "CRA Public File" census tract listing

Please refer to the bank's *CRA Public File* for a comprehensive list of census tracts that comprise PCB's AA.

The 2000 Census Bureau reported 4,052,898 residents within the bank's AA. The updated 2004 Department of Housing and Urban Development (HUD) median family income for these census tracts was \$54 thousand. The U.S. Department of Labor Statistics estimated the May 2005 unemployment rate in Los Angeles County at 5.1 percent. The California Association of Realtors cited the average June 2005 sales price for existing single-family residences in the Los Angeles area reached \$513 thousand.

The Los Angeles region is highly diverse, with a mixture of urban and suburban communities. The Los Angeles economy has stabilized since 2000, with several geographies showing good growth. The main industries continue to be entertainment, international trade, health care, finance, housing, and defense. The top ten employers are: The University of California at Los Angeles, Kaiser Permanente, Boeing, Ralph's Grocery, Bank of America, Walt Disney, Target, SBC, Northrop-Grumman, and the County of Los Angeles. Since 2000, home construction activity has grown at a fast pace, with demand driven by historically low interest rates.

We reviewed three community contact reports made by the OCC. These contacts stated that the predominant credit needs of the community are affordable housing financing and various types of credit for small businesses.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Scope of Examination**

We evaluated the CRA performance based on loans originated or purchased since the bank's inception through June 30, 2005. We focused our evaluation on consumer mortgage loans and commercial real estate loans, as these were the largest concentrations of bank loans. Our sample consisted of 20 consumer mortgage loans and 20 commercial real estate loans.

## Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) meets the standard for satisfactory performance. PCB's LTD ratio is reasonable given the bank's size, credit needs of the area, and competition by other financial service companies. The bank's average LTD ratio for the ten quarters ending March 31, 2005, was 56 percent.

We compared the bank's LTD ratio to three other de novo nationally chartered financial institutions in Southern California. These institutions are located in areas that have similar economic conditions, such as housing costs, unemployment rates, and competition for loans. The three bank's average LTD ratio for the 10 quarter's ending March 31, 2005, was 64 percent.

## Lending in Assessment Area

Consumer mortgage lending within the AA is reasonable. By number, 50 percent of total sampled mortgage loans were to consumers located within the bank's AA. By dollar, 36 percent of sampled mortgage loans benefited consumers within the AA.

Commercial real estate lending within the AA is exceeds the standards for satisfactory performance. By number, 80 percent of sampled commercial real estate loans were to businesses located within the bank's AA. By dollar, 78 percent of sampled commercial real estate loan originations benefited businesses within the AA.

Table 3 shows the distribution of these loans.

<b>Table 3 - Lending in Los Angeles Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (000's)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Consumer – Mortgage</b>	10	50%	10	50%	20	\$1,333	36%	\$2,337	64%	\$3,670
<b>Commercial – Real Estate</b>	16	80%	4	20%	20	\$5,291	78%	\$1,494	22%	\$6,785
<b>Totals</b>	26		14		40	\$6,624		\$3,831		\$10,455

Source: Total Loan Sample 40 loan: 20 consumer / 20 commercial.

## Lending to Consumers of Different Incomes and to Businesses of Different Revenue Sizes

PCB's record of consumer mortgage lending to low-income individuals, by number and dollar, is low in comparison to AA demographics. However, the maximum annual income of low-income individuals is \$27,100, which is generally not sufficient to qualify for traditional mortgage loans based on current residential market values in the AA. The income information is based on the updated 2004 HUD median family income.

PCB's record of consumer mortgage lending to moderate-income individuals, by number and dollar, exceeds the standards for satisfactory performance. The bank exceeded area demographics by both percent and dollar of loans made.

Table 4 reflects the bank's consumer mortgage lending by census tract income levels.

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans in Los Angeles AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
<b>Consumer – Residential</b>	31%	7%	18%	29%	17%	36%	34%	28%

Source: Loan Sample and 2000 U.S. Census.

The bank's record of commercial real estate lending to businesses with revenues of less than \$1 million exceeds the standards for satisfactory performance. PCB exceeded the AA demographics in this area in both percent and dollar amount of loans made. Table 5 demonstrates the bank's record of lending based on revenue size of businesses.

<b>Table 5 - Borrower Distribution of Loans to Businesses in Los Angeles AA</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
<b>% of AA Businesses*</b>	62%	38%
<b>% of Bank Loans in AA by Number</b>	81%	19%
<b>% of Bank Loans in AA by Dollar</b>	81%	19%

Source: Loan Sample and 2000 U. S. Census.

### **Geographic Distribution of Loans**

The bank's geographic distribution of sampled consumer mortgage loans in low-income communities exceeds the standards for satisfactory performance in comparison to the AA demographics. The 2000 U. S. Census reports indicate that AA owner-occupied housing in low-income census tracts is 4 percent of total AA owner occupied housing.

The bank's geographic distribution of sampled consumer mortgage loans in moderate-income communities exceeds the standards for satisfactory performance. The 2000 U. S. Census reports indicate that AA owner occupied housing in moderate- income census tracts is 27 percent of total AA owner occupied housing.

Table 6 shows the geographic distribution of consumer mortgage loans by owner occupied levels in each census tract category.

<b>Table 6 - Geographic Distribution of Residential Real Estate Loans in Los Angeles AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
<b>Consumer - Residential</b>	4%	7%	27%	36%	26%	29%	43%	28%

*Source: Loan Sample and 2000 U. S. Census.*

PCB's geographic distribution of sampled commercial real estate loans is good. The bank exceeded area demographics in both low- and moderate-income communities. Table 7 shows the number and dollar volume of loans made in both low- and moderate-income tracts are well above the demographics.

<b>Table 7 - Geographic Distribution of Loans to Businesses in Los Angeles AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Businesses /Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses /Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses /Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses /Farms</b>	<b>% of Number of Loans</b>
<b>Commercial – Real Estate</b>	13%	18%	26%	55%	22%	5%	39%	22%

*Source: Loan Sample and 2000 U.S. Census.*

### **Responses to Complaints**

PCB did not receive any written complaints associated with its CRA performance.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discrimination or other illegal credit practices.